	Summary of Internal Audit Reports Issued to Date

REPORT OF	**DAP Audit Partnership**
To:	**Audit & Governance Committee**
Subject:	**Audit Reports Issued to Date**
Date:	**17 January 2023**

PURPOSE OF REPORT: To provide a summary of the internal audit reports issued since the last Audit and Governance Committee to enable members to discuss any matters they wish to raise.

1. INTRODUCTION

The Audit & Governance Committee have requested a regular summary of internal audit reports issued. This is to provide an opportunity for discussion and to raise queries related to the reports.

As members receive a full copy of the internal audit report upon release, they are encouraged to raise any significant concerns they may have with the Auditor at that time. This summary report gives an added opportunity for Members as a group to discuss related matters.

This report includes all final internal audit reports issued to date that have not been previously reported to the Committee.

2. REPORT

A summary of final reports issued to date and not included in previous committee reports is included at **Appendix A**.

There are three audit reports to note:

- NNDR
- Housing Options
- Risk Management

Our Annual Fraud Assessment is presented as a separate agenda item.

3. IMPLICATIONS

Legal Implications
None.

Financial Implications
None.

Human Resources Implications
None.

Sustainability Implications
None.

Equality/Diversity
None.

Risk Management

The Risk Based Internal Audit Plan is designed to provide robust coverage of the key risks faced by the Council each year. It is developed in consultation with management and approved by members.

Each internal audit report provides the following key information:
Assurance level – providing an overall opinion on the audit area.
Acton plan – including audit recommendations (where applicable) and management responses.

Reported issues are assigned a priority rating of high, medium, or low, based on the perceived impact and likelihood as established within the corporate risk matrix.

The report may also include 'opportunity' findings, which are suggested courses of action perceived to add value and included for consideration.

Low priority or housekeeping matters are reported separately to operational management during the draft audit stage.

Reporting of progress to implement internal audit actions to the Audit & Governance Committee is the responsibility of the Finance Director / S151.

Compliance with Policies and Strategies
This report complies with the Audit Committee terms of reference and the Audit Procedures Manual.

Ward Member and Leader Member Views
Councillor Philip Hackett, Chair of Audit & Governance, commented "*The Internal Audits Reports contribute to the Council's robust governance arrangements.*"

4. CONCLUSIONS

The following is a summary of the four assurance levels currently used, along with the audits that have been awarded each level:

Opinion	Audit
Substantial Assurance **'A sound system of Governance'**	
Reasonable Assurance **'Some scope for improvement'**	Risk Management National Non Domestic Rates
Limited Assurance **'Improvement is required'**	Housing Options
No Assurance **'Immediate action required'**	NA

5. RECOMMENDATIONS

Committee are asked to: Note the reports issued in this reporting period and raise any queries, suggestions or proposals relating to the internal audits in this report. It is also asked to note the Audit Charter and Strategy.

SUPPORTING INFORMATION

Consultations:	Steve Hearse, Chief Executive Officer
	Staci Dorey, Head of Legal and Governance and Monitoring Officer
	Councillor Philip Hackett, Audit and Governance Committee Chair
Contact Officer:	David Heyes, Finance Manager & S151 Officer
	Robert Hutchins – Head of Devon Audit Partnership
	Paul Middlemass – DAP Audit Manager
Background Papers:	Audit files

Overview of Reports not previously reported to Committee

National Non-Domestic Rates

Overall Assurance Level – Reasonable

No of management actions made / agreed: 2 Medium and 2 Low actions were agreed

Summary

The NNDR team are effective in their duties. We found the application of discounts and reliefs to be accurately applied and valuation agency office changes were timely with accurate reconciliation with the NNDR database. Separation of duties was in place for refunds. Statutory returns were appropriately signed off and submitted to the appropriate governing body by the deadline. Raising of bills is timely and there is a good process for reconciling the Academy system to the main accounting system. System access to make changes to parameters are adequately restricted. However, the team has been restricted in the amount of chasing of outstanding monies, due to focus on Covid grants, and more recently the energy rebate scheme.

Collection rates for 2021/22 have improved to 98.26%, compared to 95.9% for 2020/21. However, the reduced emphasis on chasing outstanding monies for business rates has reflected in increased levels of arrears, which have increased in the last few years.
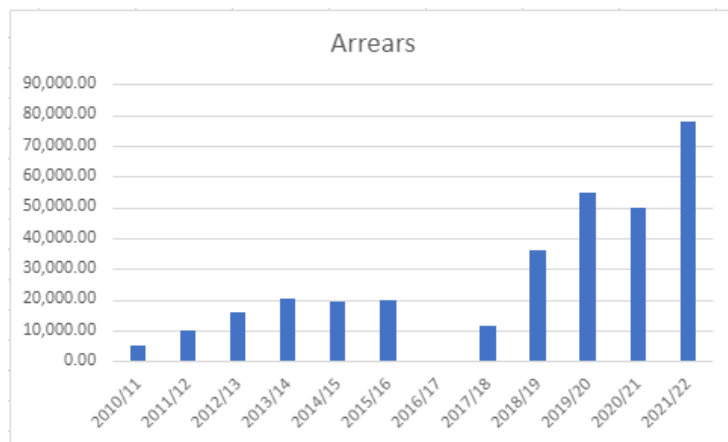
The graph shows the amount of arrears outstanding for each year.

2022/23 net rates payable are £11,075,000. We have been advised that around 66% of the in-year bills has been collected. The current outstanding amount up to October 2022 is £4,015,577.24.

The level of write offs for 2021/22 was: £248.05.

We have made recommendations to improve management in this area.

Risk Management

Overall Assurance Level – Reasonable

No of management actions made / agreed: 5 Medium, 4 Low actions.

Summary

The culture on risk at TDC is generally good, with senior managers aware and alert to upcoming and current risks, especially around Financial Planning and Management. Risks are discussed in both Senior Management Team Meetings and Operational Management Team meetings and discussed at Audit & Governance Committee meetings. We consider it would good practice for Full Council / Community and Resources Committee to periodically discuss the Corporate Risk Register to allow member input and discussion of the risks and action to mitigate them.

A Corporate Risk Register (CRR) is maintained and compared to some councils, comprises a relatively small number of risk (9) which is good practice. The current risks on the register look appropriate to us, although we think the Cyber Security risk assessment of 6 is too low given the Cyber Threat Landscape. We note the significant work being undertaken by the S151 officer to deal with the current risk related to council finances and financial sustainability. Review of the September 2022 CRR indicated that not all the detail on every risk was current or up to date, for instance many of the New Impacts columns did not appear up to date. After our fieldwork, a Risk Management Group was held and the CRR updated. According to the Constitution, the Risk Management Group has responsibility for maintaining the risk register. We note this group appears to be meeting every six months, rather than every quarter. As the group plays an important role in reviewing and escalating risks, there is a need for more frequent meetings.

Service area business planning was evidenced well with each area clearly detailing their goals and vision in April for the year ahead. As part of the Business Plan each service area completes a risk register. These are discussed and agreed by senior management at that time. However, there is no process to ensure Service risks are reviewed and updated during the year as required in the Constitution (4.1.2). Recognising that through year review is the ideal, we suggest a mid-year review of risk registers would be beneficial. A Business Continuity Plan is also held alongside Service Plans but were not all current based on those we reviewed. We will cover this in more detail in our audit on Business Continuity later this year.

The project manager for Major Projects displayed a good awareness of the importance of risk management to support delivery of projects to time, quality, and cost. A variety of different formats of risk registers were actively managed as required for the relevant project. It would be beneficial to include opportunities considered and taken forward on these risk registers.

The council includes fraud risks on its Risk Map, but it does not have a specific risk register on those risks. Some District Councils are currently mapping out their fraud risks in their high-risk areas. We will discuss how Torridge can develop its understanding of these risks when we undertake our annual Fraud Assessment in December 2022.

There is no mention of Opportunity Management in the Risk Management Strategy and Policy. The council has various ways to progress opportunities, such as raising a Project Initiation Document, and staff can highlight proposals to managers. We suggest the council may benefit from more emphasis on capturing and taking forward opportunities and to recognise this in the Risk Strategy and Policy.

Review of some of the councils' strategies indicate that not all clearly detail the risks involved. The Cyber Security (in draft) and Climate Action Plan are two which have good mention of risk to delivery.

We note that risk management training has not been provided to officers for some years. This training would help increase in knowledge and skills in risk management and training around this area. We also made this recommendation in our last audit report.

Housing Options

Overall Assurance Level – Limited

No of management actions made / agreed: 3 High, 11 Medium, 1 Low.

Summary

We consider that the Housing Options team is placing homeless people in accordance with legislation and the policy. However, expenditure on temporary accommodation has significantly exceeded the budget. As the numbers of households in temporary accommodation increases, the management of this area has become less effective and there are inefficiencies in processes. There is a homelessness Strategy dated 2020-25 which outlines the current challenges. There is

also an action plan for 2022/23, but this action plan has not been updated to reflect progress so far this year. The strategy should be reviewed to ensure it reflects the current risks and challenges faced by the team. The council will also need to continue to look at options to reduce expenditure in this area. A reflection of the above has resulted in the limited assurance opinion in this area. We have made recommendations to improve management of this area.

We reviewed the budget and actual figures for temporary accommodation back to April 2020. Actual expenditure in 2020/21 was in line with the budget of £200k. However, expenditure for 2021/22 went to £400k. For the current financial year, expenditure stands at £800k at the end of October compared to the full year budget of £200k. This is partly a factor in the increased number of households in temporary accommodation. In the last 10 years the average number of households have risen from 7 in 2010, to 62 at the end of March 2022. During 2021/22 the number of households in TA rose by 106.66%. We understand that there are currently 66 households in temporary accommodation, and the peak in numbers was over 70.

The Council own three hostels and one house which provides housing for those requiring TA, another hostel is currently being sourced. The Council also utilises 13 PSLs (private sector landlord); these are properties which the Council leases from private landlords. This is a cheaper option than spot purchasing and provides some consistency in expenditure. Both these forms of accommodation are cheaper than spot purchases (B&B) and are not open to spikes in expenditure during the height of summer where a premium is charged for accommodation, especially in popular tourist areas. It is considered that spot purchasing of temporary accommodation has the biggest impact on budget.

We acknowledge that there is a housing crisis which has had a detrimental effect in this situation. Private rented supply is in demand and rents are increasing, social housing is a more affordable option, but demand far exceeds supply and so trying to find suitable/affordable long-term accommodation for those in TA is a challenge. This has resulted in those in TA being there for longer periods of time, which is causing the increase in need and expenditure. In this review we have sought to highlight work undertaken by other local councils to manage this problem.

Management of temporary accommodation, monitoring of accounts for non-payment of top-ups etc., grants and loans, etc. is managed on various spreadsheets incorporating data from Host Access, Cedar and Jigsaw. When the number of households in temporary accommodation were much lower, use of a spreadsheets to manage processes, in particular temporary accommodation, may have been manageable. With the increase in numbers use of a spreadsheets results in inefficiencies in the process. A designated system with a workflow attached would create leaner processes and ensure effectiveness of the team. Top-ups are currently charged to those in hostels and PSLs (private sector landlords), this could be extended to those in spot purchased accommodation. A designated system should create capacity to manage this process. Some processes are carried out by a single member of staff this reduces resilience of the team.

Quality of information submitted to benefits has been poor with errors in information being identified on a regular basis, this has been ongoing. More recently, Benefits have noticed that submission of data is not always timely with documentation arriving out of sequence. Errors in information has an impact on the amount claimed as subsidy.